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C O N F I D E N T I A L TOKYO 005306

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DOD FOR OSD SHINN/SEDNEY/HILL/BASALLA; USFJ FOR
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E.O. 12958: DECL: 11/19/2017

TAGS: PREL MARR PGOV JA

SUBJECT: ACHIEVING AGREEMENT ON SMA

REF: A. TOKYO 4993

¶B. TOKYO 5235

Classified By: Ambassador J. Thomas Schieffer; Reasons: 1.4 (b/d)

¶11. (U) Action Request contained in para 6.

¶12. (C) Summary: Japanese officials are prepared to resume Host Nation Support (HNS) negotiations along the lines of the October 24 discussion between the Ambassador and Foreign Minister Masahiko Koumura (Ref A). Japanese negotiators have told the Embassy that Japan is willing to consider a new Special Measures Agreement (SMA) that would be neutral in budget terms for the United States. During the period of the SMA, Japan and the United States would conduct a comprehensive review of all areas of HNS, including those outside of the SMA. Japanese officials, including from the Ministry of Finance (MOF), say that Japan would consider maintaining the USD 241 million Facilities Improvement Program (FIP) at current levels. They are not, however, prepared to accept a formal bilateral mechanism to determine FIP funding. MOF has also rejected the inclusion of issues related to Japan's overall defense spending in a comprehensive review. Inclusion of these two positions in a non-paper delivered by the Deputy Secretary of Defense to Japanese Ambassador Ryozo Kato on November 13 led to Japan's rejection of the latest U.S. proposal. Country Team requests instructions to resume negotiations for a three-year SMA, to include arrangements on the side to protect the FIP program. Details of the Country Team proposal in para 6. End Summary.

Resuming Negotiations

¶13. (C) On November 16, MOFA Security Treaty Division Director Kazuhiro Suzuki said that Japan is prepared to resume working level negotiations for a new SMA within the parameters outlined by Ambassador Schieffer to Foreign Minister Koumura on October 24. Suzuki said that MOFA was disappointed by the fallout over the November 13 proposal from Deputy Secretary of Defense England (Ref B) to Ambassador Kato. The inclusion of language on a bilateral approval mechanism for FIP and bilateral discussions on Japan's defense budget handed MOF the ammunition they needed to scuttle MOFA Administrative Vice Minister Shotaro Yachi's proposal for a straight rollover.

Core Issue: Benefits and FIP

¶4. (C) Suzuki stated that if the U.S. bottom line is that it will veto the results of negotiations between the base workers union (Zenchoro) and the Ministry of Defense (MOD), then it is "unavoidable" that MOF will immediately move to slash the USD 241 million FIP budget. Separately, MOD Defense Councilor Daikichi Monma expressed dismay at the latest U.S. proposal, and asked why the U.S. was throwing away a three year extension and FIP in order to maintain modest adjustments to base worker pay that would be revenue neutral for the U.S. government. Monma commented that the Japanese government is increasingly prepared to accept significantly less cuts in labor benefits than originally requested. MOD and union negotiators have privately confirmed to the Embassy that the two sides are moving towards a compromise that would largely protect the interest of existing workers (Note: according to USFJ estimates, the measures would likely save Japan about USD 4 million in the first year. End Note.)

¶5. (C) While Japanese officials say they cannot accept a deal that would give the U.S. formal say over FIP, a "voluntary" Japanese initiative, they understand the ramifications of a unilateral reduction. MOFA's Suzuki said that MOFA has explained that the U.S. would have no incentive to negotiate a comprehensive HNS review if MOF were to make sharp cuts to FIP after a "good faith" SMA extension. MOF Deputy Defense Budget Examiner Takuo Komori commented that his ministry would not add funds beyond the USD 241 million requested by MOD for JFY2008, but would consider maintaining the status quo if a mutually acceptable outcome was achieved on an SMA comprehensive review and labor benefits adjustments. Suzuki urged the U.S. to table a new proposal that offered additional detail on what areas would be included in a comprehensive review. This would serve both as a basis for negotiations and to enhance MOF and Cabinet Office willingness to consider concessions on FIP.

Suggested New U.S. Proposal

¶6. (C) In light of Japan's rejection of the November 13 DOD proposal, Country Team requests authorization to submit the following new proposal to Japan and to resume negotiations for a SMA:

-- The United States proposes entering into negotiations for a new three-year SMA at current levels.

-- During the period of this SMA, the United States and Japan would conduct a comprehensive review of Host Nation Support (HNS). The goal of this review would be to establish a new HNS structure that reflects the evolving nature of the U.S.-Japan Alliance.

-- The outcome of comprehensive talks will not be pre-determined. However, both sides would propose measures to maximize the efficient administration of HNS.

-- A comprehensive review would include areas inside and outside of the SMA framework, such as:

- Labor
- Utilities
- Operational/Training Support
- Land usage
- Military construction
- Support for base hosting communities

-- The detailed contents and timeline for a comprehensive review will be defined in an exchange of notes separate from the SMA.

-- During the period of the comprehensive review, both sides will avoid taking unilateral steps that would increase the budgetary burden on either party.

SCHIEFFER